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Hungary: The 13th Party Congress

SUMMARY

The principal themes of the Hungarian Socialist Workers (Communist) Party's 13th Congress, which convened last week in Budapest, were continuity and compromise. The Congress created a new deputy party chief position, which may herald the beginning of a gradual transition to the post-Kadar era. The changes in the Politburo and Secretariat as well as the more substantial turnover in the Central Committee appear designed to infuse more youth and vigor into the leadership while maintaining the current balance of interests and views. The Congress also reasserted its commitment to economic reform but took no action to quicken the pace of reform. Promises were repeated to increase living standards and benefits in order to ease the plight of those suffering most from recent austerity policies. [redacted]

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Foreign policy issues received less attention, with the Congress pledging to continue Hungary's relatively positive stance toward the West while adhering to the basic Soviet line on East-West issues. The Hungarians probably were heartened by the Congress speech of Soviet Politburo member Romanov who signalled a cautious approval by Moscow of Hungary's reform policies. On the other hand, friction between Hungary and its Romanian and Czechoslovak allies over the festering Hungarian minority issue added a discordant note to the proceedings.

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Personnel Changes

The most significant personnel decision at the Congress was the selection of veteran Party Secretary Karoly Nemeth, 62, as deputy to party Chief Kadar, making Hungary the first Soviet bloc country formally to designate a number-two man. An Hungarian central committee member indicated in a newspaper interview that the new deputy position will free Kadar from some of his daily operational responsibilities while enabling him to use his "prestige and popularity" to "influence" Hungarian policies. This characterization squares with our judgment that Kadar will continue to retain supreme authority. [redacted] 25X1

Although Nemeth now is a strong favorite eventually to succeed Kadar, the party statutes were not changed—to our knowledge—to make the deputy the automatic successor. [redacted] Nemeth lacks the dynamism and skills required of a party leader. These shortcomings probably led Kadar, who has long been aware of the risks associated with a talented, ambitious heir apparent, to view Nemeth as a "safe" selection. [redacted] 25X1

Other senior personnel changes suggest an effort by Kadar to inject youth, vigor, and technical competence into the party leadership. New additions to the 13-member Politburo are Karoly Grosz, 54, chief of the powerful Budapest party organization, Istvan Szabo, 61, head of the national agricultural co-operative council, and Communist Youth League leader Csaba Hamori, 36. Mihaly Korom, 58, Lajos Mehes, 58, and Valeria Benke, 65 were all dropped from the Politburo; Korom and longtime cultural czar Gyorgy Aczel, 68, also lost their party secretary positions. Party daily editor Janos Berecz, 54, Interior Minister Istvan Horvath, 50, and National Technical Committee President Lenard Pal, 59, joined an expanded 7-member secretariat. [redacted] 25X1

The turnover in the senior leadership bodies was less extensive than pre-Congress rumors suggested. Indeed, the changes in the Politburo and secretariat were fewer than those of the 1980 Party Congress and two of the three members dropped from the Politburo this year had only been members since 1980. Changes in the newly streamlined 105 member Central Committee were more substantial—43 members dropped and 28 added, in contrast to the handful of changes at the last Party Congress. Although available information on the new members is still rather scanty, one objective of the shift—as in the more high level bodies—apparently is to bring in young blood. We estimate the average age of the new appointees to be almost 8 years younger than those departing and the average age of the entire Central Committee to have declined by more than two years to 56.5 years. [redacted] 25X1

Policy Continuity Likely

Kadar apparently continued his long established policy of balancing representatives of different views and interests within top party organs. Proponents of economic reform and relatively liberal policies continue to hold important positions. Reform czar Ferenc Havasi retained both his Politburo seat and his job as party secretary for economic affairs. In addition, the background of some newcomers suggest they will support continued economic experimentation. New Politburo member Szabo, for example, has played a pivotal role in the success of Hungary's decentralized, market-oriented agricultural system, while new party secretary Pal, a physicist who once headed the

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National Academy of Sciences, has been heavily involved in Hungary's efforts to secure Western technology. [ ]

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Despite the loss of Korom and Benke from the Politburo, the party's more orthodox faction also will be well represented at high levels. [ ]

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[ ] Grosz, a rising star who emerged from obscurity last December to become head of the Budapest party apparatus, is a reform opponent. [ ]

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he has been tasked to tighten up on the relatively free-wheeling dissident community. The ambitious, careerist Berecz, who now holds the party's agitation and propaganda portfolio, also has a reputation for ideological orthodoxy. The congress also confirmed the political comeback of veteran labor leader Sandor Gaspar, an outspoken defender of blue collar workers who perceive some aspects of reform as a threat to their economic well-being. [ ]

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#### Economic Issues Dominate

The keynote speeches and other Congress documents were dominated by discussions on the prospects for economic growth and living standards over the next five years, social welfare issues, and the state of economic reform. Hungarians heard a frank assessment of their economic plight during recent years. Kadar admitted that they have suffered—to varying degrees—as the result of austerity measures which were necessary to avoid a financial crisis. He conceded that despite earlier promises to preserve the standard of living, real wages for a large segment of the population had fallen in the 1980-1984 period. Havasi also warned that it is time to give up the illusion that socialist development will be immune from capitalist ills such as economic slumps and inflation. [ ]

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The Party leadership painted a somewhat more optimistic picture for the second half of the 1980s, but made it clear that the Hungarian economy would not be returning to the high growth, rapid investment, and large increases in living standards of the 1970s. Compared with an average annual growth rate of only 1.5 percent in 1980 to 1984, speakers at the Congress projected national income will grow between 2.5 and 3 percent in 1985 and perhaps exceed 3 percent thereafter. They called for a halt in the fall of real wages and investment spending this year and left open the possibility for growth in these areas beginning in 1986. Budapest also announced at the Congress that it plans to take action to protect the truly poor, the youth, and the elderly by increasing social welfare benefits, alleviating housing shortages, and improving the social security system. [ ]

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No major reform initiatives were proposed, but the need to implement measures already approved at the April 1984 Party plenum was stressed. These include:

- rationalizing the price structure by reducing subsidies and the number of turnover taxes;
- promoting greater differentiation in enterprise earnings and workers' wages to better reflect differences in efficiency and productivity;
- encouraging small scale ventures under both socialist and private

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ownership; and

- giving workers a voice in management of state enterprises and in the selection of chief executives.

Conspicuously lacking, however, is any mention of a timetable for implementing these measures or plans for more far-reaching reforms that have been discussed in the past such as the decentralizing of the banking system or large-scale liquidation of bankrupt firms. [ ] 25X1

The tone and content of the Congress documents confirm our view that Budapest intends to move ahead with economic reform, but will do so gradually and cautiously while trying to maintain consensus among the country's interest groups. Kadar and other leaders openly admitted that social tensions have been growing to uncomfortable proportions as the result of inflation, growing disparities in income between public and private sector employees, and the possibility that the closing of inefficient enterprises will lead to labor dislocation. In an effort to address these problems, the leadership announced that it will crack down on illegal and unwarranted activity in the private sector, will try to reduce inflation from the recent annual average of 7-10 percent to 5 per cent per year, and will pay closer attention to workers' concerns when formulating policies on wage differentiation and labor mobility. [ ] 25X1

#### Other Domestic Issues

The congress reaffirmed the Kadar regime's commitment to relatively liberal political and cultural policies, although the additions of Berecz and Grosz to the Politburo may presage a tougher line toward dissidents. In his keynote address, Kadar emphasized the need for co-operation between Communists and non-Communists, thus restating his maxim, "He who is not against us is with us," a principle long the basis of his regime's relaxed approach to intellectual diversity. Kadar and other speakers also called for a broadening of "socialist democracy," citing the new electoral law as evidence of the party's desire for greater popular participation in the political process. [ ] 25X1

The law, already in place for June's parliamentary and local council elections, provides voters a choice between at least two candidates in each constituency. The elections will not take Hungary substantially closer to real democracy and certainly not toward multiparty elections, which Kadar ruled out. All candidates must have party approval, and the top leadership will run unopposed on a special national list. But the attention devoted to the electoral reform issue at the congress indicates the regime's continuing resolve to govern or at least give the appearance of ruling by consensus rather than coercion. [ ] 25X1

#### Foreign Policy

The congress reflected Budapest's continuing effort to strike a careful balance between vital economic links to the West and its need to follow Moscow's basic line on East-West issues. Consequently, speakers placed the blame for East-West tensions on the United States and its NATO allies, but expressed hope for the success of the current US-Soviet talks and the Helsinki

process. [ ]

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Soviet reaction to the congress appears to confirm [ ]

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[ ] that the Kremlin's new leadership will continue to tolerate Hungary's controversial economic policies. In his congress speech, the chief Soviet delegate, Politburo member Romanov called for more CEMA cooperation and trade but said that greater economic ties with the West are acceptable as long as they do not permit the West to exploit economic levers for political ends. He also cautiously blessed Hungarian economic reform and praised Hungary's exchanges with the USSR on ways to improve economic management and develop greater democracy. [ ]

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On the other hand, strains between Hungary and its Romanian and Czechoslovak allies over the treatment of their large Hungarian minorities were in clear evidence at the congress. Several speakers made reference to the plight of the minorities, and Imre Pozsgay, head of the People's Patriotic Front, devoted most of his speech to the issue, claiming that maltreatment of minorities was unworthy of civilized nations. The minority question will probably continue to trouble Budapest's relations with its neighbors. Prague and Bucharest are unlikely to change their hardline minority policies and the Kadar regime probably will persist in playing to domestic national feeling on this emotional issue. [ ]

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